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OFFICE OF THE COMPTROLLER
CITY OF ST. LOUIS



DARLENE GREEN
Comptroller

Internal Audit Section

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September 19, 2008

Aaron Henning, Executive Director
Harambee Youth Training Corporation
1142 Hodiamont Avenue
St. Louis, MO 63112

RE: Review of Harambee Youth Training Corporation, Community Development Block
Grant (CDBG), Contracts #06-11-93 & #07-11-93, CFDA # 14.218
(Project #2008-CDA39)

Dear Mr. Henning:

Enclosed is a report of our fiscal monitoring review of Harambee Youth Training Corporation, CDBG, for the period January 1, 2006 through December 31, 2007. The scope of a fiscal monitoring review is substantially less than an audit, and as such, we do not express an opinion on the financial operations of Harambee Youth Training Corporation. Our fieldwork was completed on March 12, 2008.

This review was made under authorization contained in Section 2, Article XV of the Charter, City of St. Louis, as revised and has been conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* and through an agreement with the City of St. Louis Community Development Administration (CDA) to provide fiscal monitoring to all grant sub-recipients. If you have any questions, please contact Internal Audit section at (314) 622-4723.

Sincerely,

Dr. Kenneth M. Stone, CPA
Internal Audit Executive

Enclosure

cc: Ms. Jill Claybour, Acting Executive Director, CDA
Ms. Lorna Alexander, Special Assistant for Development, CDA
Ms. Carrie Jones, Administrator, Harambee Youth Training Corporation



CITY OF ST. LOUIS

COMMUNITY DEVELOPMENT ADMINISTRATION (CDA)

*HARAMBEE YOUTH TRAINING CORPORATION
COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)
CONTRACTS #06-11-93 & #07-11-93
CFDA # 14.218*

FISCAL MONITORING REVIEW

JANUARY 1, 2006 THROUGH DECEMBER 31, 2007

PROJECT #2008-CDA39

DATE ISSUED: SEPTEMBER 19, 2008

*Prepared by:
The Internal Audit Section*



OFFICE OF THE COMPTROLLER

Honorable Darlene Green, Comptroller

**CITY OF ST. LOUIS
COMMUNITY DEVELOPMENT ADMINISTRATION (CDA)
COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)
HARAMBEE YOUTH TRAINING CORPORATION
FISCAL MONITORING REVIEW
JANUARY 1, 2006 THROUGH DECEMBER 31, 2007**

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COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)
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INTRODUCTION

Background

Contract Name: Harambee Youth Training Corporation

Contract Numbers: 06-11-93
07-11-93

CFDA Number: 14.218

Contract Periods: January 1, 2006 through December 31, 2006 (06-11-93)
January 1, 2007 through December 31, 2007 (07-11-93)

Contract Amounts: \$10,000 (06-11-93)
\$35,000 (07-11-93)

These contracts provided Community Development Block Grant (CDBG) funds to Harambee Youth Training Corporation (Agency) to provide a work environment that fosters a healthy work ethic, self-discipline, confidence, and team dynamics as well as profitable skills in the construction trades.

Purpose

The purpose of our review was to determine the Agency's compliance with federal (including OMB Circular A-133), state and local CDBG requirements for the period January 1, 2006 through December 31, 2007, and make recommendations for improvements as necessary.

Scope and Methodology

We made inquiries regarding the Agency's internal controls relating to the grant administered by the Community Development Administration (CDA), tested evidence supporting the reports the Agency submitted to CDA and performed other procedures considered necessary. Our fieldwork was completed on March 12, 2008.

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INTRODUCTION

Exit Conference

We offered the Agency an exit conference on September 16, 2008, along with the draft report. The Agency declined to have an exit conference.

Management's Responses

We received management's responses to the observations and recommendations noted in the report on September 16, 2008. These responses have been incorporated into this report.

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CONCLUSION AND SUMMARY OF CURRENT OBSERVATIONS

Conclusion

The Agency did not fully comply with federal (including OMB Circular A-133), state and local CDBG requirements.

Status of Prior Observations

The Agency's previous fiscal monitoring report dated September 25, 2006 contained four observations:

1. There appears to be a potential going concern issue. **(Not Resolved, see Current Observation #1)**
2. Failure to maintain adequate accounting records **(Resolved)**
3. The agency did not use two duly authorized signatures for checks. **(Not Resolved, See Current Observation #2)**
4. Failure to file monthly financial reports **(Not Resolved, See Current Observation #3)**

A-133 Status

According to the letters received from the Agency dated May 30, 2007 and February 15, 2008, Harambee Youth Training Corporation was not required to have an A-133 Status report for the years ending June 30, 2006 and June 30, 2007 because it did not expend over \$500,000 or more in federal funds.

Summary of Current Observations

We made recommendations for the following observations, which if implemented, could assist the Agency in fully complying with federal (including OMB Circular A-133), state and local CDBG requirements.

1. The Agency has a potential going concern issue. (Repeat)
2. The Agency did not secure two duly authorized signatures for disbursement checks. (Repeat)

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CONCLUSION AND SUMMARY OF CURRENT OBSERVATIONS

Summary of Current Observation (Continued)

3. The Agency failed to file monthly financial reports. (Repeat)
4. The Agency had inadequate segregation of incompatible duties.

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**DETAILED OBSERVATIONS, RECOMMENDATIONS
AND MANAGEMENT'S RESPONSES**

1. The Agency Has a Potential Going Concern Issue

The Agency's survival is crucial in order to continue rendering services; consequently it should show signs of financial stability. As shown by the Agency's balance sheet dated January 31, 2008, there appeared to be a negative working capital totaling (\$24,502.42). The Agency's current liabilities were in excess of its current assets. If this condition continues, the Agency may not be able to meet its short term obligations and, as a result, may not be able to continue rendering its services.

Recommendation

We recommend the Agency's management review the Agency's budgetary and financial policies, procedures, and controls to ensure that expenditures needed to perform activities assisted by the CDA grant can be adequately supported by its available funding sources.

Management's Response

We concur. We have adjusted our budget and have made necessary changes to our financial policies, procedures, and controls to ensure that expenditures needed to perform activities assisted by the CDA grant are adequately supported by our available funding sources.

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**DETAILED OBSERVATIONS, RECOMMENDATIONS
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2. The Agency Did Not Secure Two Duly Authorized Signatures for Disbursement Checks

The CDA Fiscal Procedures Manual requires that the disbursement checks shall be pre-numbered and signed by the chief executive officer and the financial officer, or by any two duly authorized officers.

Based on our review, IAS noted all disbursement checks had only one signature, rather than two signatures as required by CDA. Failure to require two authorized signatures on all checks increases the risk that misappropriation of the Agency's funds may not be detected. We were unable to determine why the Agency did not comply with the CDA requirement pertaining to two signatures on checks.

Recommendation

We recommend the Agency comply with CDA requirement to have all its disbursement checks for expenditures funded by CDA signed with two duly authorized signatures.

Management's Response

We concur. We have required all disbursement checks for expenditures funded by CDA to be signed by two duly authorized signatures – except for payroll checks that CDA permits to be issued by a separate payroll company.

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**DETAILED OBSERVATIONS, RECOMMENDATIONS
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3. The Agency Failed to File Monthly Financial Reports in a Timely Manner

CDA regulations require the Agency to submit its monthly financial reports by the 10th day of the month following the report period end. Based on our review, the Agency submitted financial reports late. Late submission of monthly reports may cause a delay or suspension in the processing of reimbursement request. We were unable to determine why the Agency submitted monthly financial reports late.

Recommendation

We recommend the Agency comply with CDA regulations and submit its monthly financial reports by the 10th day of the month following the report period end.

Management's Response

We concur. We now comply with CDA regulations and submit our monthly financial reports by the 10th day of the month following the report period end.

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**DETAILED OBSERVATIONS, RECOMMENDATIONS
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4. The Agency Had Inadequate Segregation of Incompatible Duties

Sound internal controls require various processes to be performed by different individuals. For example, the processes of receiving cash, recording receipts, depositing the monies, and performing bank reconciliation should be performed by separate people.

Per the Agency's responses to our inquiries, we were informed that the Agency has one person performing incompatible duties that should be segregated. In a conversation regarding the lack of segregation of duties, the program's Administrator responded that there are not enough staff members to assign duties.

Recommendation

We recommend that the Agency have more than one person responsible for their accounting functions.

Management's Response

We concur. We are seeking additional staff to segregate incompatible duties.